



USDA Foreign Agricultural Service  
**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

**Date:** 01/03/2005

**GAIN Report Number:** VM5085

## **Vietnam Oilseeds and Products**

### **Soybeans, Soybean Meal and Vegetable Oil Update 2005**

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**Report Highlights:**

Despite great effort from the government, scientists and farmers for several years, Vietnam soybean production is still small due to lower-than-expected yield and high cost production. Since Vietnam has no industrial-scale oilseed crushing facility and is experiencing strong growth of its feed industry, it has become one of the largest SBM importers in Asia with annual imports of over 1 million metric tons.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Hanoi [VM1]  
[VM]

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## SECTION I: SITUATION AND OUTLOOK

### 1.1 SOYBEANS

(See table 1 of Section II for PSD Table)

#### Production

Although Vietnam's soybean area has increased, production is still insignificant due to low yield. With an average yield of only 1.33 metric ton (mt) per hectare (ha), Vietnam's soybean production in 2004 was around 243 thousand metric tons (tmt), a year on year increase of 10.5 percent. According to Vietnam's Ministry of Agricultural and Rural Development (MARD), soybean production in 2005 is forecast to increase by 9.5 percent to 266 tmt in anticipation of expanded growing areas.

**Table 1: Vietnam soybean production**

|   | 2001 | 2002 | 2003 | 2004 | *2005 |
|---|------|------|------|------|-------|
| Crop area (thousand ha – tha)                 | 140  | 158  | 166  | 183  | 200   |
| Crop yield (mt/ha)                            | 1.26 | 1.27 | 1.33 | 1.33 | 1.33  |
| Total production (thousand metric tons - tmt) | 177  | 201  | 220  | 243  | 266   |

\*2005: Estimated figures

Source: Vietnam General Statistics (GSO) and MARD

Vietnam has set an ambitious target to expand annual soybean production to 500 tmt of soybean by 2010. However, Vietnam's soybean production is unlikely to grow rapidly in the near future due to low yields and absence of a large-scale industrial crushing facility, which precludes significant demand for soybean meal and oil production. Even if there were significant crushing capacity, it is doubtful that Vietnam could expand soybean production to compete with imports without significant additional tariff protection. Vietnam has relatively high agro-chemical input and low yields. Domestic retail prices of grade one soybeans are quoted at VND 7,000/kg - 7,500/kg (or \$440-472/mt), far higher than imported soybean prices after tariff of around \$400-410/mt. Although there will likely continue to be a place for local production of food grade soybeans for domestic consumption, it is unlikely that locally produced soy beans can fulfill the demand of any crushing industry set up to serve Vietnam's soybean meal and oil needs.

Currently, Vietnam grows traditional soybean varieties. Biotech soybean is still not allowed although there are reports of illegal growing of biotech crops in Vietnam. Vietnam soybean researchers and growers are very interested in growing biotech soybean as they can reduce soybean production costs particularly for chemicals. They say they are particularly interested in Bt varieties as controlling pests is more important than herbicide resistance for Vietnamese soybeans.

In August 2005 Government of Vietnam ratified a Bio-Safety law (see VM5062) that provides the legal frame works to grow biotech crops in Vietnam. Immediately after the law was approved, several research institutes started carrying out field trials for biotech soybeans. However, they are still waiting for government guidelines on field- testing, assessment, and release into commercial production.

#### Consumption

Without large scale crushing facilities, the soybean meal and vegetable oil industry are unable to use domestic soybeans in significant amounts. Most of the locally produced soybeans are used for human consumption in the form of soy-based food products (soy

sauce, tofu products, and soymilk beverages). Only a small quantity of lower-quality soybeans is used for animal feed in the form of full-fat soybeans.

Some foreign investors from Taiwan, Hong Kong and the United States have been closely eyeing Vietnam for investment in oilseed crushing. However so far no plans for a crusher have been finalized. A particularly big impediment is a tariff structure that puts a high tariff on soybeans (15%) vis a vis meal (0%). Vietnam will likely revise these tariffs upon entry into the WTO, which should significantly increase the likelihood of one or more large soybean crushers in Vietnam in the near future.

The soybean demand by the food industry, especially soymilk beverage manufacturers will grow further as a result of increasing awareness of the benefit of healthy foods. The Ministry of Agriculture and Rural Development has projected that by 2010, Vietnam will demand 750 – 800 tmt of soybeans. This assumes that no crusher is built prior to this time.

### **Imports**

Vietnam imports a small quantity of whole soybeans (both food grade and feed grade) for food processing industry (mainly soybean milk production). According to traders, Vietnam annually imports approximately 20 tmt of soybeans, mainly from China, Cambodia, Thailand, Canada and the United States.

As a result of the Bilateral Trade Agreement between Vietnam and USA, since December 2004, import duty on US soybeans has been reduced to 5% while current normal import duty for soybeans is 15%. Taking this advantage, some soy-based food manufacturers have started buying US soybean. From no import in 2003, Vietnam imports of US soybeans in 2004 and 2005 were 380 metric tons and 1,300 metric tons, respectively.

### **Import Tariff**

\* Tax rate applied for soybean imported from countries having Most Favored Nation Treaty (MFN) with Vietnam:

- Import duty rate: 15%
- VAT: 5%

\* Tax rate applied for soybean imported from ASEAN countries (in accordance with the agreement of common effective preferential tariff of ASEAN countries – CEPT/ASEAN FREE TRADE AGREEMENT):

- Import Duty: 5%
- VAT: 5%

\* Tax Rate applied for soybean imported from USA (in accordance with the Vietnam – USA Bilateral Trade Agreement):

- Import Duty: 5%
- VAT: 5%

## **1.2 SOYBEAN MEAL**

(See table 2 of Section II for PSD Table)

### **Production**

Vietnam's domestic soybean meal production is very small, because of the absence of industrial-scale crushing facilities and the use of most local soybeans for human consumption. Therefore, the booming livestock feed sector must rely primarily on imported soybean meal.

For soybean meal PS&D table (table 2 of Section II below), post uses estimation that Vietnam produces no soybean meal.

### Imports

Vietnam's leading soybean meal importers include both animal feed mills and trading companies. In general, only the big-scale animal feed mills including Thailand's CP group, the United States' Cargill, French-Vietnamese Proconco, Taiwan's Uni-President, and Vietnamese companies: (Lai Thieu, Aflix, Dabaco) directly import soybean meal. Smaller, mostly locally owned animal feed companies purchase soybean meal from local trading and importing companies (Quang Dung, Amasco, Aflix etc.).

Vietnam's 2004 soybean meal imports dropped slightly to 950 tmt due to high import prices and decreased demand from the animal feed industry due particularly to avian-influenza, but also some foot and mouth disease problems as well.

In 2004, Argentina was the largest soybean meal supplier, with a market share of 55%. India was the second largest soybean meal exporter to Vietnam, selling about 380 tmt or about 40%. Other soybean meal suppliers include China, Brazil and the United States. According to traders, U.S. soybean meal exports to Vietnam are constrained by high prices, although millers regard the U.S. meal quality as quite high.

In 2004, in addition to soybean meal, Vietnam also imported other oilseed meals including rapeseed meal, copra meal and palm nut meal from neighboring countries like Malaysia and Indonesia. According to UN trade data, about 100 tmt of these meals were imported to Vietnam in 2004.

**Table 2: Vietnam's soybean meal imports by key suppliers** (unit: tmt)

|                       | 2001       | 2002       | 2003       | 2004       | 2005<br>est. |
|-----------------------|------------|------------|------------|------------|--------------|
| <b>Total Imports:</b> | <b>515</b> | <b>785</b> | <b>990</b> | <b>950</b> | <b>1,150</b> |
| Of which from USA     | 15         | 26         | 44.5       | 17.5       | 11           |
| from India            | 215        | 300        | 240        | 380        | 460          |
| from Argentina        | 270        | 330        | 680        | 520        | 575          |
| from China            | 5          | 30         | 25         | 5          | N/a          |
| from Brazil           | 0          | 45         | N/A        | n/a        | 42           |
| from UAE              | n/a        | n/a        | N/a        | 3.5        | 40           |

Source: Estimates from Traders

Vietnam's 2005 soybean meal import is estimated at 1,150 tmt, an increase of 21% compared with the 2004 level due to strong growth in the swine sector and the aquaculture sector despite continued constraints on poultry production because of Avian Influenza. Growth in the swine sector, which already consumes more than 70% of total animal feed production has been very strong in part to compensate for lower poultry production. According to government estimates, as of October, 2005, Vietnam's swine production was 27.4 million head, an increase of 5.1% compared with the same time last year. Pork production through October 2005 was estimated at 2.8 million metric tons live weight, an increase of 12.2% compared with the same period of last year. Fish production as well has also increased as poultry production has lagged.

Argentina was still the largest supplier of soybean meal to Vietnam with a market share of 50%. India ranked second with a market share of 40%.

Currently, the retail price of imported soybean meal is about VND 3,900/kg (\$245/mt), much cheaper than last year's price of VND 5,000/kg(\$314/mt) in line with a drop in world prices..

In 2006, Vietnam's soybean meal imports will be higher than 2005's imports due to some recovery in the poultry sector and continued growth in overall livestock and aquaculture sectors. Post estimates Vietnam's 2006 soybean meal import at 1.2-1.3 million metric tons.

#### **Import Tariff**

- Import Duty : 0
- VAT: 5%

### **1.3 VEGETABLE OIL INDUSTRY**

#### **Production**

Vietnam's edible vegetable oil production (mainly from crude oil to refined oil) in 2003, 2004 and 2005 was estimated at 320 tmt, 360 tmt and 420 tmt, respectively. The annual growth of Vietnam edible oil industry during 2003-2005 was about 14.5%. According to the central government's plan, Vietnam hopes to produce 470 tmt of vegetable oil in 2006 and 660 tmt of vegetable oil in 2010. Vietnam also targets to export about 100-150 tmt to nearby markets. To achieve those targets in 2010, the vegetable oil processing industry needs about \$300 million in investment to update current processing facilities, to build new facilities, and to develop local oilseed production.

Currently, there are 10 vegetable oil factories, including 4 foreign invested companies, operating in Vietnam with total capacity of 420 tmt/year. Reportedly, several vegetable oil factories will be built in different regions including Haiphong in the North; Da Nang in central Vietnam and in Can Tho province in the Mekong River Delta.

#### **Imports of vegetable oils and soybean oil**

Materials used for Vietnam vegetable oil industry include both domestically grown oilseeds (mainly sesame and peanuts) and imported crude oils (mainly palm oil and soybean oil). With the insignificant expelling capacity for sesame and peanuts and the absence of industrial scale of crushing facilities, Vietnam has to rely on crude vegetable oil imports. From imports of 280 tmt in 2003, Vietnam imports of crude vegetable oil increased to 320 thousand metric tons in 2004. Post estimates Vietnam's 2005 crude vegetable oil imports were 350 tmt. Malaysia, Indonesia Argentina, Thailand, Singapore, and the United States were reportedly the leading vegetable oil suppliers to Vietnam. According to trade sources, crude soybean oil imports normally account for 25%-30% of total imports of crude vegetable oil.

Vietnam imports of soybean oil have increased in recent years. From 68 tmt in 2003, soybean oil imports reached 78 tmt in 2004, a year on year increases of 14.7 percent. The 2005 imports are forecast to increase to 88 tmt, up 12.8 percent compared with 2004's (See table 3 of Section II for PSD Table on Soybean oil).

#### **Imports of refined vegetable oil**

Due to the difference on tariff structure applied on refined oil and crude oil that puts a high tariff on refined oil (50%) vis a vis crude oil (5%), Vietnam imports of refined oil are stagnant at the level of 16-20 tmt per annum.

#### **Exports**

Despite ambitious government plans for the future, Vietnam exports of edible oil currently remain negligible due to its high cost production.

### Consumption

Currently, Vietnam's per capita vegetable oil consumption is estimated at 4.5-5.0 kg/person/year. The government expects vegetable oil consumption to increase to 8 kilograms per person per year by 2008.

### Import Tariff

\* Tax rate applied for crude SB oil and refined SB oil imported from countries having Most Favored Nation Treaty (MFN) with Vietnam:

|                  | Crude SB oil | Refined SB oil |
|------------------|--------------|----------------|
| Import Duty Rate | 5%           | 50%            |

\* Tax rate applied for crude SB oil and refined SB oil imported from Southeast Asian countries (in accordance with the Common Effective Preferential Tariffs Agreement for Southeast Asian countries – CEPT/ASEAN FREE TRADE AGREEMENT):

|                  | Crude SB oil |      | Refined SB oil |      |
|------------------|--------------|------|----------------|------|
|                  | 2005         | 2006 | 2005           | 2006 |
| Import Duty Rate | 5%           | 5%   | 10%            | 5%   |

\* Tax Rate applied for soybean imported from USA (in accordance with the Bilateral Trade Agreement between Vietnam and USA):

|                  | Crude SB oil | Refined SB oil |
|------------------|--------------|----------------|
| Import Duty Rate | 5%           | 40%            |

Vietnam's commitment to the implementation of the Common Effective Preferential Tariffs (CEPT) agreement for Southeast Asian countries (ASEAN) is bringing fierce competition to the domestic vegetable oil industry as tariffs are quickly being cut across the region. The import tariffs charged on refined vegetable oils imported from ASEAN's countries will be reduced to 10% in 2005 and 5% in 2006 (for details, see 2003 report, VM - 3017).

Vietnam's current tariff rates for refined vegetable oil imported from "MFN" countries and from the United States are high at 50% and 40%, respectively. However entry into the WTO will very likely bring some reduction in this rate.

## SECTION II: STATISTICAL TABLES

Table 1: Vietnam's Production, Supply &amp; Demand Table for Soybeans

## PSD Table

## Country

Vietnam

## Commodity

Oilseed, Soybean

(1000 HA)(1000 MT)

|                        | 2003          | Revised  | 2004        | Estimate | 2005        | Forecast | UOM       |
|------------------------|---------------|----------|-------------|----------|-------------|----------|-----------|
|                        | USDA Official | Estimate | DA Official | Estimate | DA Official | Estimate | New       |
| Market Year Begin      | 01/2003       |          |             | 01/2004  |             | 01/2005  | MM/YYYY   |
| Area Harvested         | 182           | 166      | 190         | 183      | 190         | 200      | (1000 HA) |
| Beginning Stocks       | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Production             | 225           | 220      | 240         | 243      | 240         | 266      | (1000 MT) |
| MY Imports             | 39            | 23       | 10          | 20       | 15          | 16       | (1000 MT) |
| MY Imp. from U.S.      | 0             | 0        | 0           | 0.4      | 0           | 1.3      | (1000 MT) |
| TOTAL SUPPLY           | 264           | 243      | 250         | 263      | 255         | 282      | (1000 MT) |
| MY Exports             | 1             | 0        | 1           | 0        | 1           | 0        | (1000 MT) |
| Crush Dom. Consumption | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Food Use Dom. Consump. | 43            | 188      | 43          | 208      | 44          | 224      | (1000 MT) |
| Feed,Seed,Waste Dm.Cn. | 220           | 52       | 206         | 55       | 210         | 58       | (1000 MT) |
| TOTAL Dom. Consumption | 263           |          | 249         | 263      | 254         | 282      | (1000 MT) |
| Ending Stocks          | 0             |          | 0           | 0        | 0           | 0        | (1000 MT) |
| TOTAL DISTRIBUTION     | 264           |          | 250         | 263      | 255         | 282      | (1000 MT) |
| Calendar Year Imports  | 0             | 23       | 0           | 20       | 0           | 16       | (1000 MT) |
| Calendar Yr Imp. U.S.  | 0             | 0        | 0           | 0.4      | 0           | 1.3      | (1000 MT) |
| Calendar Year Exports  | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Calndr Yr Exp. to U.S. | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |

Table 2: Vietnam's Production, Demand &amp; Supply table for Soybean Meal

## PSD Table

## Country

Vietnam

## Commodity

Meal, Soybean

(1000 MT)(PERCENT)

|                        | 2003          | Revised  | 2004        | Estimate | 2005        | Forecast | UOM       |
|------------------------|---------------|----------|-------------|----------|-------------|----------|-----------|
|                        | USDA Official | Estimate | DA Official | Estimate | DA Official | Estimate | New       |
| Market Year Begin      | 01/2003       |          |             | 01/2004  |             | 01/2005  | MM/YYYY   |
| Crush                  | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Beginning Stocks       | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Production             | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| MY Imports             | 945           | 990      | 975         | 950      | 1000        | 1150     | (1000 MT) |
| MY Imp. from U.S.      |               | 44.5     |             | 17.5     |             | 11       | (1000 MT) |
| TOTAL SUPPLY           | 945           | 990      | 975         | 950      | 1000        | 1150     | (1000 MT) |
| Feed Waste Dom. Consum | 945           | 990      | 975         | 950      | 1000        | 1150     | (1000 MT) |
| TOTAL Dom. Consumption | 945           | 990      | 975         | 950      | 1000        | 1150     | (1000 MT) |
| Ending Stocks          | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| TOTAL DISTRIBUTION     | 945           | 990      | 975         | 950      | 1000        | 1150     | (1000 MT) |
| Calendar Year Imports  | 0             | 990      | 0           | 950      | 0           | 1150     | (1000 MT) |
| Calendar Yr Imp. U.S.  | 0             | 44.5     | 0           | 17.5     | 0           | 11       | (1000 MT) |
| Calendar Year Exports  | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |
| Calndr Yr Exp. to U.S. | 0             | 0        | 0           | 0        | 0           | 0        | (1000 MT) |



Table 3: Vietnam's Production, Demand &amp; Supply Table for soybean oil

| PSD Table              |               |            |               |            |               |            |           |
|------------------------|---------------|------------|---------------|------------|---------------|------------|-----------|
| Country                | Vietnam       |            |               |            |               |            |           |
| Commodity              | Oil, Soybean  | (1000 MT)  |               |            |               |            |           |
|                        | 2003          | Revised    | 2004          | Estimate   | 2005          | Forecast   | UOM       |
|                        | USDA Official | t Estimate | USDA Official | t Estimate | USDA Official | t Estimate | [New]     |
| Market Year Begin      | 01/2003       |            | 01/2004       |            | 01/2005       |            | MM/YYYY   |
| Crush                  | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Beginning Stocks       | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Production             | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| MY Imports             | 50            | 68         | 55            | 78         | 55            | 88         | (1000 MT) |
| MY Imp. from U.S.      | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| TOTAL SUPPLY           | 50            | 68         | 55            | 78         | 55            | 88         | (1000 MT) |
| MY Exports             | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Industrial Dom. Consum | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Food Use Dom. Consump. | 50            | 68         | 55            | 78         | 55            | 88         | (1000 MT) |
| Feed Waste Dom. Consum | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| TOTAL Dom. Consumption | 50            | 68         | 55            | 78         | 55            | 88         | (1000 MT) |
| Ending Stocks          | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| TOTAL DISTRIBUTION     | 50            | 68         | 55            | 78         | 55            | 88         | (1000 MT) |
| Calendar Year Imports  | 0             | 68         | 0             | 78         | 0             | 88         | (1000 MT) |
| Calendar Yr Imp. U.S.  | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Calendar Year Exports  | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |
| Calndr Yr Exp. to U.S. | 0             | 0          | 0             | 0          | 0             | 0          | (1000 MT) |

End of Report.